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Appendix A: Glossary of Property Tax Terms

Summary

This document alphabetically compiles and defines terms related to property taxation to assist the work of the Joint Committee on Property Tax Review and Reform.

1% limitation - the constitutionally established upper limit on the amount of property taxes that may be levied without voter approval or municipal charter authority; no property tax may be levied that raises revenue in excess of 1% of the true value in money of any article of property unless the tax is approved by voters or is provided for in a municipal charter; compare to 10-mill limitation (*Ohio Constitution, Article XII, Section 2*)

2.5% owner occupancy credit - a statewide property tax credit that reduces the taxes levied on owner-occupied property by 2.5%; does not apply to new or replacement levies approved by voters in or after November 2013 (*R.C. 323.152(B)*)

10% nonbusiness credit - a statewide property tax credit that reduces the taxes levied on any property that is not used in business, i.e., residential and most agricultural property, by 10%; does not apply to new or replacement levies approved by voters in or after November 2013 (*R.C. 319.302*)

10-mill limitation - the statutorily established upper limit on the amount of property taxes that may be levied without voter approval or municipal charter authority; no property tax may be levied that raises revenue in excess of 10 mills (1¢) per dollar of the taxable value of any article of property unless the tax is approved by voters or provided for in a municipal charter; compare to 1% limitation (*R.C. 5705.02 and 5705.18*)

20-mill floor - the minimum effective tax rate on real property that can result from the revenue limits of tax reduction factors; in effect, guarantees that school districts generate at least 20 mills' worth of taxes from real property even if the revenue limits warrant less revenue (*Ohio Constitution, Article XII, Section 2a(D), R.C. 319.301(E)*)

Appraisal - the procedure for valuing real property for the purpose of taxation; is performed in each county every six years, requiring an actual viewing of the property; values are updated in the third year following reappraisal in an attempt to keep all real property taxed on the same percentage of value (*R.C. Chapter 5713*)

Assessment rate - the percentage of a property's true value that is subject to taxation; the tax rate is multiplied by this percentage of value; the rate for real property equals 35% of the property's true value (*R.C. 5715.01*)

Board of revision - a board that is established in each county to review complaints regarding real property tax matters and to generally oversee real property taxation; the board's decisions are appealable to the Board of Tax Appeals (*R.C. 5715.01 to 5715.21*)

Carryover property - is associated with the tax reduction factor law and used to consider the amount of the tax reduction; refers to a stock of property that was taxable in the previous year, continues to be taxable, and has not changed from one class to another since the preceding year (*R.C. 319.301*)

CAUV (current agricultural use valuation) - an alternative method of valuing land that is used in agriculture for the purpose of property taxation; taxable land value is based on its potential for producing income from agriculture rather than its fair market value, which may be influenced by speculative factors in the local real estate market such as encroaching development (*Ohio Constitution, Article II, Section 36; R.C. 5713.30 to 5713.38*)

Charter millage - property tax millage that pursuant to a municipal charter does not require prior voter approval; revenue raised from charter millage is not limited by the tax reduction factor law (*Ohio Constitution, Article XII, Section 2; R.C. 319.301 and 5705.18*)

Class I property - real property that is used for residential or agricultural purposes, classified for the purpose of limiting revenue growth under the tax reduction factor law; the separate classification prevents changes in nonresidential/nonagricultural (Class II) property values from influencing tax reduction factors for Class I property (*Ohio Constitution, Article XII, Section 2a; R.C. 319.301 and 5713.041*)

Class II property - real property, primarily commercial and industrial property, including apartment complexes, that is used for purposes other than residential or agricultural purposes, classified for the purpose of limiting revenue growth under the tax reduction factor law; the separate classification prevents changes in residential/agricultural (Class I) property from influencing tax reduction factors for Class II property (*Ohio Constitution, Article XII, Section 2a; R.C. 319.301 and 5713.041*)

County budget commission - a body composed of certain elected county officials that reviews local government budgets, apportions local government fund money among subdivisions in the county, and ensures that property taxes are properly authorized and that unvoted property taxes do not exceed 10 mills (*R.C. 5705.27 to 5705.37*)

Debt levy - Property tax levied to pay the debt service on general obligation bonds; not subject to tax reduction factors

Effective tax rate - the H.B. 920 credit-adjusted property tax rate; the hypothetical tax rate that, if multiplied by the taxable value of a class of real property, would yield the same amount of revenue as the actual “voted” tax rate yields after the H.B. 920 credits (tax reduction factors) are applied; under normal circumstances, the effective rate is less than the voted rate (*R.C. 319.301 and 323.08*)

Fixed-rate levy - Property tax levied at a fixed rate; subject to the tax reduction factors; the most common type of levy imposed by taxing authorities

Fixed-sum levy - Property tax levied at a rate that will generate a fixed sum of revenue; not subject to the tax reduction factors; most common example is a school district emergency levy

Homestead exemption - a property tax benefit that partially exempts the value of homes owned by individuals who are (a) 65 and older, (b) permanently and totally disabled, or (c) the surviving spouse age 59 or over of such an individual, (d) a disabled veteran, or (e) a public safety officer who died in the line of duty; depending on eligibility category, some individuals must also meet an income limit; there are two tiers of benefit, also depending on eligibility category (*R.C. 323.152(A) and 4503.065*)

H.B. 920 credit (tax reduction factor law) - a credit that is applied to each real property tax bill to discount the effects of property value appreciation on tax bills; is derived from tax reduction factors, which prevent taxes on real property from increasing in proportion to inflationary increases in property values, and is computed on the basis of property values in general rather than individual parcels (*Ohio Constitution, Article XII, Section 2a; R.C. 319.301*)

Inside millage (unvoted millage) - property tax millage that may be levied without prior voter approval; not more than 10 inside mills may be levied per dollar of taxable property value in a given jurisdiction; inside millage is allocated among overlapping jurisdictions so that no property bears an unvoted tax greater than 10 mills per dollar (i.e., 1%) of its taxable value (*Ohio Constitution, Article XII, Section 2; R.C. 5705.02*)

Mill - a unit for expressing property tax rates; property tax rates are expressed in mills per dollar of taxable value; a mill is $\frac{1}{10}$ of one cent, and a tax rate of one mill per dollar of taxable value is the equivalent of $\frac{1}{10}$ of 1%

Tax budget - a local government’s initial budget document that sets forth anticipated revenues and expenditures for the coming fiscal year; may be waived in whole or in part (*R.C. 5705.28 to 5705.35*)

Tax list and duplicate - the definitive list of real property and public utility tangible personal property that is subject to taxation; a duplicate corresponding with the list is held by the county treasurer

Tax reduction factors - the reductions that are made in the gross amount of real property taxes to prevent property value appreciation from resulting in proportionate increases in taxes; the H.B. 920 credit derives from tax reduction factors, and effective tax rates reflect the net effect of the factors (*R.C. 319.301*)

Tax year - the calendar year for which taxes are assessed even if the taxes are payable in a subsequent year (*R.C. Chapters 319 and 5705*)

Taxable value (assessed value) - the portion of property's true value in money that is subject to taxation; the assessment rate for any article of property multiplied by its true value in money yields the property's taxable value; taxable value multiplied by the tax rate yields the gross tax due (*R.C. 5713.03*)

Taxing authority - a local legislative body, such as a city council, board of county commissioners, board of township trustees, or school board, and others, that is authorized by law to levy property taxes (*R.C. Chapter 5705*)

True value or true value in money - the imputed value of property for the purposes of property taxation; in the case of real property, it equals estimated fair market value (*R.C. 5713.03*)

Uniform rule - a constitutional mandate that all taxable real property is to be taxed at the same rate and on the same percentage of its true value in money (*Ohio Constitution, Article XII, Section 2*)

Voted millage - Property tax millage that exceeds the 10-mill limitation and may be levied only with voter approval